



General Assembly

February Session, 2010

Raised Bill No. 5209

LCO No. 826

00826_____CE_

Referred to Committee on Commerce

Introduced by:
(CE)

AN ACT CONCERNING SMALL BUSINESS TAX CREDITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2010, and applicable to income years*
2 *commencing on or after January 1, 2010*) (a) As used in this section:

3 (1) "Commissioner" means the Commissioner of Economic and
4 Community Development;

5 (2) "Income year" means the income year or taxable year, as
6 determined under chapter 207, 208 or 229 of the general statutes, as the
7 case may be;

8 (3) "Qualified small business" means an employer, subject to tax
9 under chapter 207, 208 or 229 of the general statutes, who employs
10 fewer than twenty-five employees in Connecticut on the date of its
11 application under subsection (c) of this section;

12 (4) "New employee" means a person hired after the effective date of
13 this section by the qualified small business during its income years
14 commencing on or after January 1, 2010, and prior to January 1, 2013,

15 to fill a new full-time job. A new employee does not include a person
16 who was employed in Connecticut by a related person with respect to
17 the qualified small business during the prior twelve months;

18 (5) "Full-time job" means a job in which an employee is required to
19 work at least thirty-five or more hours per week. A full-time job does
20 not include a temporary or seasonal job;

21 (6) "Related person" means (A) a corporation, limited liability
22 company, partnership, association or trust controlled by the qualified
23 small business, (B) an individual, corporation, limited liability
24 company, partnership, association or trust that is in control of the
25 qualified small business, (C) a corporation, limited liability company,
26 partnership, association or trust controlled by an individual,
27 corporation, limited liability company, partnership, association or trust
28 that is in control of the qualified small business, or (D) a member of the
29 same controlled group as the qualified small business; and

30 (7) "Control", with respect to a corporation, means ownership,
31 directly or indirectly, of stock possessing fifty per cent or more of the
32 total combined voting power of all classes of the stock of such
33 corporation entitled to vote. "Control", with respect to a trust, means
34 ownership, directly or indirectly, of fifty per cent or more of the
35 beneficial interest in the principal or income of such trust. The
36 ownership of stock in a corporation, of a capital or profits interest in a
37 partnership, limited liability company or association or of a beneficial
38 interest in a trust shall be determined in accordance with the rules for
39 constructive ownership of stock provided in Section 267(c) of the
40 Internal Revenue Code of 1986, or any subsequent corresponding
41 internal revenue code of the United States, as from time to time
42 amended, other than Paragraph (3) of said Section 267(c).

43 (b) (1) There is established a qualified small business job creation tax
44 credit program for qualified small businesses whereby a qualified
45 small business that hires a new employee in the state may be allowed a
46 tax credit against the tax imposed under chapter 207, 208 or 229 of the

47 general statutes, other than the tax imposed by section 12-707 of the
48 general statutes.

49 (2) Except as otherwise provided in subdivision (3) of this
50 subsection, the tax credit shall be an amount equal to two thousand
51 five hundred dollars for each new employee hired during the first six
52 months of the income year of the qualified small business or one
53 thousand two hundred fifty dollars for each new employee hired after
54 the first six months, but prior to the last month, of the income year of
55 the qualified small business.

56 (3) For each new employee hired during the income year of the
57 qualified small business commencing on or after January 1, 2010, and
58 prior to January 1, 2011, the tax credit shall be equal to two thousand
59 five hundred dollars if the new employee is hired prior to the last
60 month of the income year of the qualified small business.

61 (4) For each of the two successive income years after the new
62 employee is hired, the tax credit shall be an amount equal to two
63 thousand five hundred dollars for each new employee employed for a
64 full income year.

65 (5) No tax credit shall be allowed for any new employee hired by a
66 qualified small business in any income year commencing on or after
67 January 1, 2013.

68 (6) No qualified small business may claim a tax credit for any new
69 employee that is not employed at the close of the income year of the
70 qualified small business.

71 (7) The tax credit shall be claimed for the income year in which the
72 qualified small business hires a new employee and, if eligible, the two
73 immediately succeeding income years. Any tax credit not used in an
74 income year shall expire.

75 (c) To be eligible to claim the tax credit, a qualified small business
76 shall apply to the commissioner in accordance with the provisions of

77 this section before hiring each new employee. The application shall be
78 on a form provided by the commissioner and shall contain sufficient
79 information as required by the commissioner, including the activities
80 that the qualified small business primarily engages in, the North
81 American Industrial Classification System code of the qualified small
82 business, the current number of employees employed by the qualified
83 small business as of the application date, and the name and position or
84 job title of the new employee to be hired.

85 (d) (1) Upon receipt of an application, the commissioner shall render
86 a decision on the application, in writing, not later than thirty days after
87 the date of its receipt by the commissioner. If the commissioner
88 approves the application of the qualified small business, the
89 commissioner shall issue a certification letter indicating that the tax
90 credit will be available to be claimed by the qualified small business if
91 the qualified small business otherwise meets the requirements of this
92 section.

93 (2) The total amount of tax credits granted under this section and
94 under section 12-217ii of the general statutes, as amended by this act,
95 shall not exceed ten million dollars in any one fiscal year.

96 (3) No qualified small business claiming the tax credit under this
97 section with respect to a new employee may claim any credit against
98 any tax under any other provision of the general statutes with respect
99 to the same new employee.

100 (e) If the qualified small business is an S corporation or an entity
101 treated as a partnership for federal income tax purposes, the tax credit
102 may be claimed by the shareholders or partners of the qualified small
103 business. If the qualified small business is a single member limited
104 liability company that is disregarded as an entity separate from its
105 owner, the tax credit may be claimed by the limited liability company's
106 owner.

107 (f) For a qualified small business subject to the tax imposed under

108 chapter 229 of the general statutes, no credit allowed under this section
109 shall exceed the amount of tax imposed by said chapter.

110 (g) The commissioner shall annually provide to the Commissioner
111 of Revenue Services a list detailing all tax credits that have been
112 approved and all qualified small businesses that have been issued a
113 certification letter under subsection (d) of this section.

114 Sec. 2. Subdivision (2) of subsection (e) of section 12-217ii of the
115 general statutes is repealed and the following is substituted in lieu
116 thereof (*Effective from passage and applicable to income years commencing*
117 *on or after January 2, 2010*):

118 (2) The total amount of credits granted to all taxpayers under
119 section 12-217ii and section 1 of this act shall not exceed ten million
120 dollars in any one fiscal year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2010, and applicable to income years commencing on or after January 1, 2010</i>	New section
Sec. 2	<i>from passage and applicable to income years commencing on or after January 2, 2010</i>	12-217ii(e)(2)

Statement of Purpose:

To provide a tax credit for small businesses that create jobs.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]